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Investment and Economic Analysis
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NWT Economic Trends

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Economic Diversification Equitable Access



The Department of Resources, Wildlife and Economic Development (RWED) has just released a major report on the Northwest Territories (NWT) economy. This report will serve as the basis of a new five-year action plan for the Department and the Government of the NWT.

Copies of the report can be downloaded from the RWED website, or by contacting either your regional RWED office or the office of Investment and Economic Analysis. The address for downloading copies is:

http://www.gov.nt.ca/RWED/iea/publication_econ.htm

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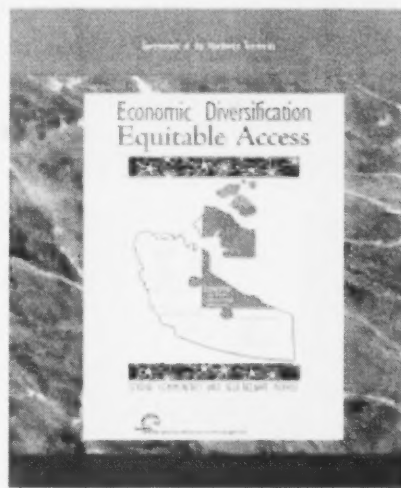
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The report will be a useful reference for communities and businesses looking to diversify. It provides fairly detailed profiles of the 13 NWT sectors. These profiles are designed to provide a consistent and objective overview of each sector and its current contribution to the economy. Communities and other governments can use this information to assess the potential for sector development in their region.

The report is designed to be a "living document". It will be revised on an annual basis, with new market and other industry information. Each volume will also include an action plan for the Department, which will also be updated and reviewed on an annual basis. Input and suggestions are welcome.



**Northwest
Territories**

Investment and Economic Analysis (867-873-7361) <http://www.gov.nt.ca/RWED/iea/index.htm>

Economic Growth Exceeds Earlier Estimates

The NWT economy passes Prince Edward Island

Statistics Canada recently released updated 2003 estimates of provincial and territorial gross domestic product (GDP). The NWT's GDP is now estimated at \$3.7 billion, up substantially from the earlier estimate of \$3.3 billion. Based on the revised numbers, our GDP growth over 2002 now approximates at 20%; this is about 10 times the Canadian average of 2%. By comparison, the second fastest growth province, Newfoundland and Labrador, had a growth rate of 6.8% over the same period. As predicted in an earlier newsletter, the GDP of the NWT has now surpassed the GDP of the province of Prince Edward Island, which has more than three times the population of the NWT.

GDP at Market Prices, 2002 and 2003					
In Millions of Chained 1997 Dollars					
	2003	2002	% Change		
Canada	1,096,359	1,074,621	2.0%		
NT	3,676	3,042	20.8%		
NU	815	882	-7.6%		
YT	1,167	1,163	0.3%		
BC	133,600	130,391	2.5%		
AB	129,553	126,114	2.7%		
SK	32,000	30,621	4.5%		
MB	34,368	33,849	1.5%		
ON	459,805	452,431	1.6%		
PQ	230,983	226,773	1.9%		
NB	20,618	20,108	2.5%		
NS	25,180	24,874	1.2%		
PEI	3,353	3,290	1.9%		
NF	15,542	14,557	6.8%		

Source: Analysis of NWT Gross Domestic Product - 2003, NWT Bureau of Stats



Increase in GDP Linked to Exports

Increase in diamond exports nullify decrease in fixed capital investment

The GDP measures the value of all goods and services produced in a region. Like the financial statements for a company, it can be measured by income and by expenditure. And like financial statements, these totals have to balance.

On the expenditure side, there was a significant decline in investment and a corresponding movement to exports. Between 2002 and 2003, investment declined from just below \$1.1 billion to \$0.7 billion representing a decline of 33.3% for the year. However, this drop was more than offset by exports, which were valued at approximately \$3 billion for 2003. Diamonds accounted for 58% of exports; the largest markets for NWT diamonds being the United Kingdom (67%) followed by Belgium (30%).

Personal expenditures on goods and services reflect increased employment and income opportunities within the NWT. This is directly related to the resource sectors, especially the oil and gas sector and the mining

sector. Personal expenditures on consumer goods and services increased by 3.7% from 2002 to 2003. Exports of goods and services, a majority of which are comprised of diamonds, also increased by a very healthy 57%. This increase in exports helped push the GDP at market prices of the NWT to \$3.68 billion for 2003, a startling increase of 20.8%.

Over the next few years, as the Mackenzie Gas Pipeline becomes reality, it is expected that business gross fixed capital formation will once again rise significantly, peaking around the 2007-2009 period. Potentially accentuating this rise in investment will be Debeers' proposed Gahcho Kue diamond project, which if feasible, could start construction in 2009.

Real GDP at Market Prices, 2002 and 2003			
In Millions of Chained 1997 Dollars			
	2003	2002	% Change
Personal expenditure on consumer goods and services	1017	981	3.7%
Net government current expenditure on goods and services	1002	973	3.0%
Business gross fixed capital formation	715	1072	-33.3%
Exports of goods and services	2979	1898	57.0%
Deduct: Imports of goods and services	2036	2051	-0.7%
Gross Domestic Product	3676	3042	20.8%

Source: Analysis of NWT Gross Domestic Product - 2003, NWT Bureau of Stats

NWT Incomes Rising - Gaps Closing

Regional Per Capita Increased Significantly from 1998-2002, as did average incomes. Over this period, Dogrib communities saw significant gains in family incomes.

Total Income

Total income in the Northwest Territories increased by a vibrant 34.7% for the period of 1998 through 2002. This was directly related to increased mineral development and increased exploration in both the mining and the oil and gas industries. Total income increased from \$852 million in 1998 to \$1.15 billion 2002, an increase of \$296 million. Growth rates varied from a low of 21.7% to a high of 54.8% for the NWT's five different regions.

Yellowknife experienced the highest increase in total income of the 33 communities in the NWT. On a regional basis however, the highest increase in total income was the Beaufort-Delta region followed closely by the South Slave region, with growths of \$45.8 million and \$43.4 million respectively.

It is also useful to look at the rate of growth in each of the regions. Over the period, the Dogrib communities had the highest rate of income growth at 54.8% with total income growing from \$27.2 million to \$42.1 million as shown in the table at the bottom of this page. The growth in income is directly related to employment at the two diamond mines during both the construction phases and the start of production at the Ekati diamond mine, which commenced in 1998. With the start of production at the Diavik Diamond Mine™, which began in 2003, it is expected that when total income statistics for 2003 are released, this trend in the Dogrib region will continue to increase.

Personal Income: Total Income							
	1998	1999	2000	2001	2002	Increase	Growth Rate
Northwest Territories	\$852,225	\$886,692	\$921,079	\$1,058,019	\$1,148,300	\$296,075	34.7%
Beaufort-Delta	\$99,704	\$106,956	\$108,845	\$135,042	\$145,536	\$45,832	46.0%
Sahtu	\$40,590	\$42,222	\$43,213	\$47,378	\$49,395	\$8,805	21.7%
Deh Cho	\$44,036	\$47,518	\$48,078	\$52,902	\$57,543	\$13,507	30.7%
South Slave	\$144,185	\$151,912	\$156,346	\$175,764	\$187,613	\$43,428	30.1%
Dogrib	\$27,169	\$30,493	\$32,303	\$39,540	\$42,061	\$14,892	54.8%
Yellowknife	\$484,752	\$495,022	\$517,636	\$591,241	\$648,997	\$164,245	33.9%

Source: Income Statistics, Personal Income, NWT Bureau of Stats

Average Incomes On The Rise

A Direct Link to Resource Development

The average worker income in the Northwest Territories also increased significantly for the 1998 through 2002 time frame. The Dogrib region had the fastest growth with average income increasing from \$19,700 in 1998 to \$27,700 in 2002, an increase of 40.6%. The second highest income growth was the Beaufort-Delta region. Average income in the region grew from \$28,700 in 1998 to \$36,700 in 2002, a growth of 28%. By comparison, the overall growth rate for the entire NWT was 22.3% over the same period.

The large increase in average income for the Dogrib region is linked to, as is total income, employment from the diamond companies and other contractors providing services to the diamond mines. Prior to the construction and start-up of the diamond mines, communities in the Dogrib region suffered from limited employment opportunities.

The number of people who filed for income tax returns is another useful indicator. Over the 1998-2002 period, the number of filers increased by 10.2% or by 2,520 people. In 1998 there were 24,790 filers and by 2002 that number increased to 27,310. Once again, the highest growth rates were in the Beaufort-Delta and Dogrib regions at 14.1% and 10.1% respectively. The remaining three regions in the NWT experienced rates that were drastically lower than the average for the Territory.

Average Income in \$'s					
	1998	1999	2000	2001	2002
Northwest Territories	34,378	35,650	36,220	39,186	42,047
Beaufort-Delta	28,651	30,128	30,489	34,805	36,659
Sahtu	30,291	31,746	32,249	34,332	35,536
Deh Cho	24,739	26,546	26,272	27,990	30,127
South Slave	30,809	33,096	33,988	36,390	38,367
Dogrib	19,688	22,096	22,910	26,185	27,672
Yellowknife	41,825	42,455	42,993	45,975	50,038

Source: Income Statistics, Personal Income, NWT Bureau of Stats

Measuring the Impact of Our Tourism Marketing Programs

RWED has recently completed two surveys aimed at gauging the effectiveness of the marketing of the NWT as a tourism destination for southern Canadians and Americans. Both surveys were conversion studies, which attempt to measure the number of visits to the NWT attributed to a particular marketing effort or campaign.

Northwest Territories Tourism (NWT) is the primary agency responsible for marketing the Northwest Territories as a travel destination. Each year, NWT conducts several distinct marketing campaigns aimed at different market segments by geography and interest. These segments are targeted by a mix of media (print, television, etc). While NWT attends trade shows attracting industry operators and wholesalers, tourism staff employed by RWED host NWT booths at travel consumer shows. Like the NWT, tourism staff each year select a mix of old and new shows aimed at specific geographic and interest segments important to the NWT tourism industry.

Two surveys were conducted in December 2004: One to measure the effectiveness of NWT's marketing efforts in the campaign years 2002/2003 and 2003/2004; and the other to assess the performance of the consumer shows attended in 2003/2004.¹ In each survey, a random sample was extracted from NWT's

database of information requests generated from specific campaigns and consumer shows. The surveys were conducted as telephone interviews. Over 1,800 interviews were completed for NWT's campaigns, and just over 2,000 interviews were completed for the consumer show program.

RWED calculates conversion rates as the number of visits to the NWT as a percentage of total inquiries, net of the proportion of people who had already made a decision to visit at the time of their information request or visit to the consumer show. On this basis, preliminary results suggest a much higher overall conversion rate for NWT's 2002/2003 campaign year relative to 2003/2004 (around 9% compared to 3.5%).

Traditionally, the conversion studies are based on information collected from mail or telephone requests for information recorded in NWT's enquiry database. However, mail and telephone requests have been declining drastically in the past several years, a trend inverse to the great increase in the number of visits to NWT's website. For example, in October 2004, the number of website visits equaled the number of information requests for the entire year of 1995 with mail and phone enquiries now accounting for just 4% of all enquiries and visits to the NWT's website accounting for 96%. The two charts on the following page illustrate this trend.

¹ The consumer show program for 2002/2003 was cancelled by RWED



Figure 1: Change in Mail and Telephone Enquiries to NWTT

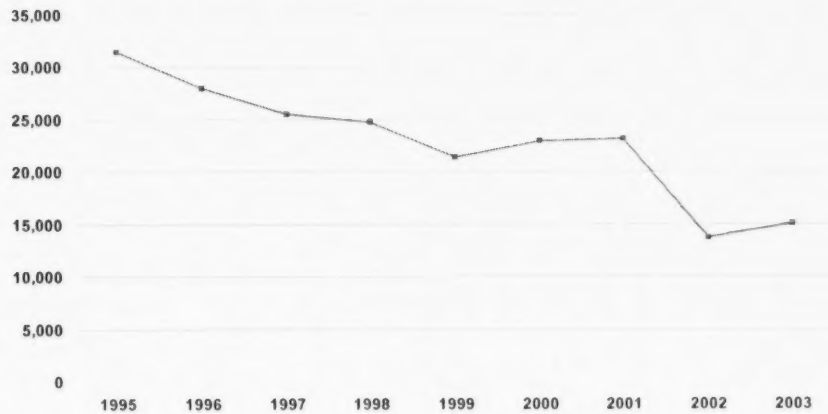
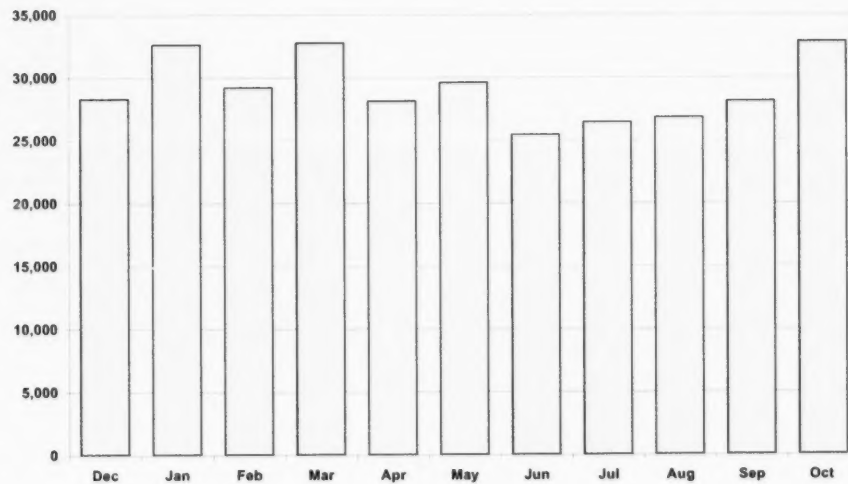


Figure 2: Visits to NWTT's Website 03-04



Consumer Price Changes in Yellowknife

By the NWT Bureau of Statistics

Consumer prices are critical to the measurement of human welfare, changes in economic circumstances and economic capacity. For example, a significant shortage of labour could result in higher wages and subsequently higher prices for goods and services.

Information released by Statistics Canada indicates that the Yellowknife All-Items Consumer Price Index for December was 3.4% higher than a year earlier. By comparison, the annual price increase was 2.1% for Canada, 1.6% for Edmonton and 2.9% for Whitehorse.

In Yellowknife, prices for consumer goods and services in December were 1.8% higher compared to November. The main contributor to the increase was higher prices for shelter. Increases were also noted for food, household operations & furnishing, transportation, and alcoholic beverages & tobacco. Partly offsetting the increases were lower prices for clothing & footwear, health & personal care and recreation, reading & education.

With the December release, the average annual inflation rate can now be calculated for 2004. For Yellowknife, consumer prices averaged 0.6% higher in 2004 compared to 2003. In comparison, the average annual inflation rate for Canada for 2004 was 1.8%.

CPI values for Yellowknife and Whitehorse include estimates of price changes for owned accommodation based on the price of rental accommodation. As a result, the all-items indexes published for these centers are not strictly comparable to those for Canada and Edmonton.

All-Items Consumer Price Index (1992=100)

	04-Dec	04-Nov	03-Dec	% Change from 04-Nov 03-Dec	
Yellowknife	122.2	120.0	118.2	1.8	3.4
Whitehorse	122.3	123.1	118.9	-0.6	2.9
Canada	125.4	125.7	122.8	-0.2	2.1
Edmonton	130.4	130.7	128.4	-0.2	1.6

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